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Report of the Secretary-General pursuant to paragraph 5 of Security Council resolution 1281 (1999)

I. Introduction

1. The present report is submitted to the Security Council pursuant to paragraph 5 of resolution 1281 (1999) of 10 December 1999. It provides information up to 30 April 2000 on the distribution of humanitarian supplies throughout Iraq, including the implementation of the United Nations Inter-Agency Humanitarian Programme in the three northern governorates of Dahuk, Erbil and Sulaymaniyah. It also describes developments in the implementation of the programme since the period covered by the report submitted on 10 March 2000 (S/2000/208).

2. On 29 March 2000, I appointed Tun Myat as the Humanitarian Coordinator for Iraq. He arrived in Baghdad on 30 April. In February 2000, Umaru B. Wurie and John Almstrom were appointed Deputy Humanitarian Coordinators in the United Nations Office of the Humanitarian Coordinator for Iraq, in Baghdad and Erbil, respectively.

II. Revenue generation, procurement and distribution to end-users

A. Oil production and sale of petroleum and petroleum products

3. Since the beginning of phase VII and as at 30 April 2000, the oil overseer and the Security Council Committee established by resolution 661 (1990) have reviewed and approved a total of 100 contracts involving purchasers from 36 countries: Algeria (1); Belarus (2); Belgium (1); Brazil (1); China (6); Cyprus (1); Egypt (1); Greece (1); Finland (2); France (4); India (1); Italy (5); Kenya (1); Malaysia (2); Morocco (2); Netherlands (1); Nigeria (1); Oman (1); Panama (1); Romania (1); Russian Federation (20); Singapore (1); South Africa (1); Spain (5); Sudan (1); Switzerland (10); Thailand (2); Tunisia (3); Turkey (6); Ukraine (1); United Arab Emirates (3); United Kingdom of Great Britain and Northern Ireland (5); United States of America (2); Venezuela (1); Viet Nam (2); and Yemen (1).

4. The total quantity of oil approved for export under those contracts corresponds to approximately 351.3 million barrels for 180 days, about 40 million barrels less than during the previous phase. Nevertheless, owing to higher oil prices, total revenue projected for the whole 180-day period will reach $8.4 billion (including the pipeline fees; if current prices remain and all contracted volume is lifted), the highest revenue level ever generated during a given phase.

5. Export of petroleum from Iraq under the current phase has proceeded smoothly, with excellent cooperation among all the parties involved. A total of 202 loadings, 247.7 million barrels in all, with an estimated value of $5.892 billion have been completed. About 42 per cent of the liftings have been made at Ceyhan, Turkey.

6. The oil overseer has continued to advise and assist the Security Council Committee on pricing mechanisms, contract approval and modifications and other pertinent questions related to exports and monitoring, under resolution 986 (1995) and all subsequent relevant resolutions. The overseer and Saybolt have worked closely to ensure the monitoring of the relevant oil installations as well as the liftings.

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7. It is a matter of serious concern that, since 1 July 1999, there has been only one oil overseer in the service of the Iraq programme, owing to the inability of the Security Council Committee to agree on the selection of other overseers. Accordingly, there is a need for urgent action in that regard in order to avoid the possibility of disruption to the implementation of the programme, particularly with regard to the processing of contracts for the sale of oil.

Oil exports from Iraq

8. The *modus operandi* for the inspection of oil exports originating from Iraq remained unchanged. During the current phase, 14 independent inspection agents for oil (Saybolt) were on site and based at Mina al-Bakr and Zakho, in Iraq, and at Ceyhan in Turkey.

Mina al-Bakr

9. As at 16 May 2000, a total net volume of 166,585,750 barrels of Basrah light oil had been loaded from Mina al-Bakr during the reporting period, averaging 1.1 million barrels per day. This is a decrease of 22.8 million barrels over the same number of days in the previous phase. Maximum achievable loading rate remains at approximately 88,000 barrels per hour. Rates below this level have been frequently noted, because of mechanical failure at shore and production problems further upstream.

10. Equipment malfunction or breakdown is dealt with by local repair, using cannibalized parts where necessary. On this basis, deterioration of equipment and working systems is unavoidable. Operation of the main hydraulic systems remains inefficient, which continues to be a cause of pollution and a safety hazard on the terminal platforms and walkways. Lack of operational communications, monitoring systems and other controls continue to raise serious concerns over the safe operation of the terminal. The supply of two tugs late in 1999 has improved vessels' berthing operations. However, the terminal continues to operate without mooring boats and the tugs must be used for crew change and supply purposes.

11. As stated in a previous report (S/1999/1162), the continuing deterioration of conditions at the Mina al-Bakr oil-loading terminal remains a major concern. The terminal continues to operate with no improvement in the conditions relating to safety and hygiene of personnel, with insufficient and uncertified safety equipment, and a lack of safety procedures. Fresh food supplies are poor in quality and there is a lack of variety. All terminal garbage and waste continue to be disposed of into the sea. Water supply, particularly for drinking, continues to be a problem.

Botas Terminal, Ceyhan, Turkey

12. Transfer of Kirkuk crude oil from Iraq to Turkey via the Kirkuk-Yumurtalik pipeline has continued throughout the period; stoppages noted were due to power failures, usually on the Turkish side of the line; transfer has averaged around 750,000 barrels per day.

13. The flow of oil from Iraq to Turkey is continuously monitored at both the border crossing point at Zakho and into the storage tanks at Ceyhan. A daily reconciliation of these volumes is made to ensure that no crude oil can be diverted.

14. As at 16 May 2000, the volume of oil loaded to vessels at Ceyhan, under the supervision of Saybolt, was 117,269,850 barrels during the reporting period. This is a decrease of 25.68 million barrels over the same number of days in the previous phase.

B. United Nations accounts pertaining to the Iraq programme

15. The United Nations accounts pertaining to the Iraq programme are divided into seven separate funds pursuant to paragraphs 8 (a) to (g) of Security Council resolution 986 (1995). As at 30 April 2000, $4,606.1 million had been deposited into the account for phase VII as authorized under resolutions 1281 (1999) and 1284 (1999), bringing the total oil sale since the inception of the programme to $25,341.9 million. Annex I to the present report shows the allocation of the total oil revenue among the various funds and the corresponding expenditures as at 30 April 2000. Annex II shows the number and value of the letters of credit pertaining to oil proceeds and humanitarian supplies.

C. Prioritization, processing and approval of applications, delivery to Iraq and distribution to end-users

General

16. The Office of the Iraq Programme has taken all necessary steps to implement expeditiously the relevant

recommendations and directives contained in my last report (S/2000/208) as well as the relevant provisions of resolution 1284 (1999).

17. Pursuant to paragraph 17 of resolution 1284 (1999), the lists of humanitarian items submitted by the Office of the Iraq Programme, including foodstuffs, pharmaceuticals and medical supplies, as well as basic or standard medical and agricultural equipment and basic educational items, were approved by the Security Council Committee on 22 February 2000, for food and educational items, and on 29 March 2000, for health and agricultural items. All four approved lists have been posted on the web site of the Office of the Iraq Programme. Since the approval of the lists, a total of 433 contracts, with a total value of about $950 million, have been processed by the Office, as at 31 May 2000, in full compliance with paragraph 17 of resolution 1284 (1999). The Office has been keeping the approved lists under constant review and, in consultation with the United Nations agencies and programmes, as well as with the technical ministries of Iraq, will submit to the Security Council Committee lists of additional items for its consideration and approval.

18. The Office of the Iraq Programme organized special briefings for the permanent and observer missions and the United Nations agencies and programmes on 27 and 31 March, respectively, in order to acquaint them with the approved procedures under paragraph 17 of resolution 1284 (1999). Similar briefings were also provided during April and May for the United Nations agencies and programmes in Amman, Baghdad and Erbil. The permanent and observer missions have also been requested to encourage suppliers to maximize the use of the electronic format in submitting their applications. The Office has been contacting applicant missions on a case-by-case basis to suggest resubmission of lengthy or complex applications in electronic format in order to accelerate processing.

19. In paragraph 18 of resolution 1284 (1999), the Security Council requested the Committee to appoint, in accordance with resolutions 1175 (1998) and 1210 (1998), a group of experts, including independent inspection agents appointed by the Secretary-General, to approve speedily contracts for oil spare parts and equipment, according to lists of parts and equipment approved by the Committee for each individual project. The Committee approved procedures for the implementation of paragraph 18 of the resolution, submitted by the Office of the Iraq Programme, on 25 April 2000, and the experts to serve on the group were endorsed on 16 May 2000. The experts, comprising three customs experts, one oil industry expert and one engineering expert, will work within the Office of the Iraq Programme. The Office will submit lists of oil spare parts and equipment to the Committee for its consideration and approval during the first week in June. It is anticipated that the group of experts will begin its work on 15 June 2000, subject to the approval of the lists by the Committee. The experts will review applications for the purchase of oil spare parts and equipment, in accordance with paragraphs 18 and 25 of resolution 1284 (1999) and the approved procedures.

20. Pursuant to paragraph 25 of resolution 1284 (1999), the Office of the Iraq Programme has continued reporting to the Security Council Committee on all applications containing items notifiable under resolution 1051 (1996). The review mechanism has been working efficiently and appears to have contributed to limiting the number of holds imposed for technical specifications. This can be attributed to the fact that adequate technical information must be obtained by the Secretariat prior to circulation of an application to the Committee, to determine whether the item is on the resolution 1051 (1996) list.

21. The Office of the Iraq Programme has further intensified its efforts to assist the Security Council Committee in reducing the number of applications placed on hold by the Committee. While several of these initiatives already appear to be yielding positive results, the number of holds has remained very high, with 1,203 applications on hold, with a total value of $1,956,603,150, as at 30 April 2000. Beginning on 14 April 2000, under cover of separate letters addressed to the Chairman of the Security Council Committee, the Executive Director of the Iraq Programme submitted to the Committee the lists of all applications on hold, for each of the eight sectors contained in the distribution plans, providing comprehensive information, gathered in full consultation with the Office of the Humanitarian Coordinator and the United Nations agencies and programmes concerned, with an indication, where possible, of their order of priority, as well as information on the impact of the holds and follow-up action taken by the Office of the Iraq Programme. The cooperation of the Government of Iraq was also sought in the determination of the relative priorities of the

applications on hold, as well as their respective impact on the implementation of the programme.

22. I welcome the Security Council Committee's decision to hold a series of meetings in each sector to review further the list of applications placed on hold. The first of these meetings, covering the agriculture and water and sanitation sectors, were held on 26 April and 10 May, with the participation of the representative of the Food and Agriculture Organization of the United Nations (FAO) in Iraq. It is expected that another meeting will be held in the first week of June concerning the health sector. The representative of the World Health Organization (WHO) in Iraq briefed the Committee on 25 May. As a result of the meetings on the agriculture and water and sanitation sectors, the value of holds in these two sectors declined by more than 20 per cent, from $317 million on 14 April to $273 million on 19 May. During that period, the number of applications on hold in these two sectors declined from 150 to 115.

23. The Office of the Iraq Programme has responded to the growing need to systematize the supply of warranty or replacement goods for items previously approved and delivered to Iraq. Under new procedures, all goods for replacement as specified in a contract must be presented as a correction to the original application for approval by the Committee. This information has been posted on the Office of the Iraq Programme web site.

24. As noted in paragraph 110 of my last report (S/2000/208), the staff resources of the Office of the Iraq Programme had to be kept under close review as a further dramatic increase in workload was expected once paragraphs 17, 18 and 25 of resolution 1284 (1999) were fully implemented. In order to have the capacity to fully implement the relevant provisions of resolution 1284 (1999), a new staffing table has been approved for the Contracts Processing Section of the Office, which includes five staff members at the Professional level, 15 customs or other technical experts, and 34 General Service support staff. Recruitment has started and has already had a positive impact in greatly reducing the number of applications awaiting processing and customs review.

ESB (53 per cent) account

25. During the reporting period, the Office of the Iraq Programme has processed applications submitted under phases IV to VII. As at 30 April 2000, 7,103 applications, with a total value of $13,061,276,367, had been received for all phases. Of these, 4,961 applications, with a total value of $9,407,675,725, have been approved by the Security Council Committee or processed by the Office in accordance with paragraph 17 of resolution 1284 (1999). Supplies from 4,767 applications, with a total value of $8.071 billion, have been delivered to Iraq, including oil spare parts and equipment.

26. Submissions of applications for phase VII have been slow for most sectors, with a total of only 843 applications valued at about $1.9 billion, including just under $1.1 billion for foodstuffs, received by the Office of the Iraq Programme. On 10 April 2000, the Executive Director of the Iraq Programme drew the attention of the Permanent Representative of Iraq to this situation and reiterated his appeal for more expeditious contracting and submission of applications. Although increased staffing and streamlined evaluation procedures within the Office of the Iraq Programme have enabled the Office to reduce the large volume of applications under review, with the large number of outstanding phase VII applications expected for submission towards the end of the current phase, the delays in processing are bound to be unavoidable.

ESC (13 per cent) account

27. As at 30 April 2000, of the 3,272 applications submitted by United Nations agencies and programmes, 3,093 with a total value of $788.7 million were approved or processed in accordance with paragraph 17 of resolution 1284 (1999); 28, with a total value of $4.3 million, were placed on hold; while another 28, worth $10.7 million, were under evaluation and processing.

III. Observation and monitoring activities

A. Inspection and authentication of humanitarian supplies

28. The United Nations independent inspection agent, Cotecna Inspection S.A., continued to authenticate the arrival of humanitarian supplies at the entry points at Al-Walid, Trebil, Umm Qasr and Zakho, and to report on the arrival of humanitarian supplies procured under

the ESC (13 per cent) account by the United Nations agencies and programmes for the governorates of Dahuk, Erbil and Sulaymaniyah. Expedited sampling and testing has continued on a trial basis with laboratories in Jordan and Turkey, in the absence of agreement by the Government of Iraq to the stationing of mobile testing laboratories at entry points.

29. Cotecna and the Multidisciplinary Observation Unit have been reporting on further deterioration of facilities at the port of Umm Qasr, which could jeopardize logistics channels in particular for the discharge and forward delivery of bulk commodities such as foodstuffs. Umm Qasr receives 70 per cent of food commodities and 54 per cent of other commodities imported under the programme. Additional applications have been submitted to prevent further deterioration of the port's facilities.

30. It is anticipated that, in June, a four-week trial will begin to ascertain the viability of new arrangements for effecting the electronic transmission of authentication data from all four sites. These new arrangements should substantially reduce the time taken to confirm authentication of the delivery of goods and expedite the payment procedure.

B. Monitoring of oil spare parts and equipment

31. Oil spare parts and equipment under phases IV to VII have continued to arrive in Iraq at an increasing pace. As at 25 May 2000, a total of 551 complete contracts have arrived in the country, comprising a total value of $227,528,765, out of a total allocation of $1.8 billion for these four phases. In addition, there are some 76 contracts for which there are outstanding letters of discrepancy issued by the Government of Iraq to the suppliers regarding quality problems, incorrect items, missing items, etc. These are listed, per site, in the weekly monitoring report, and as they are not fully delivered, they are considered incomplete contracts. The value of these 76 incomplete contracts is $59,668,836.

32. The number of monitors for oil spare parts and equipment deployed in Iraq has remained at six, working from a permanent base in Baghdad. Currently, an average of 22 storage sites and end-use facilities are visited on a weekly basis. During these visits, monitors carry out documentary checks and physical inspections on the spare parts and equipment that have arrived and/or been installed.

33. In the course of these visits, it has been observed that full storage capacity at most warehouses, notably Basrah, has been reached. This is due, in part, to the fact that the utilization of certain goods in storage is dependent upon the availability of complementary items that have yet to arrive in the country. Furthermore, installation of the equipment is delayed by the lack of skilled labour and also a shortage of funds to hire what skilled labour exists in Iraq.

34. The lack of adequate transport, and the shortage of funds to hire private transport, continues to affect the pace of distribution of equipment, and further exacerbates the lack of storage space at certain facilities.

35. Special monitoring procedures, as established by the Office of the Iraq Programme, have been put into place to observe the distribution and utilization of certain items for which close, special monitoring is required. Such cases include the intelligent pigging of the Kirkuk-Yumurtalik pipeline, monitoring the export of electric motors up to shipment and inspection while under repair in Turkey, monitoring the export of gas turbines shipped to the United Kingdom for repair, the inspection upon delivery of tugboats and survival craft, and visits to the construction site of oil storage tanks at Kirkuk to confirm the arrival of materials and the commencement of construction.

36. Monitors continue to travel widely and freely through Iraq, having covered in excess of 200,000 kilometres to date. They continue to receive the full cooperation of the Government of Iraq.

C. United Nations observation mechanism

37. In an effort to improve the effectiveness of the United Nations observation mechanism, a number of measures are being instituted to provide, within the framework of resolution 986 (1995), the required assurances that supplies arriving in Iraq are utilized for the purposes authorized by the Security Council Committee. The Committee was briefed on 25 April on the new measures, which include the redeployment of United Nations observation personnel, employment of specialist consultants, streamlining and consolidating observation activities under the Office of the Humanitarian Coordinator, and developing special

observation procedures to provide the Security Council Committee with regularly updated information on the results of tracking items of special interest. These measures are aimed at facilitating a reduction in the number of applications currently on hold, and which require detailed end-use/end-user information. As at 30 April 2000, special observation and/or monitoring procedures had been authorized for 28 applications for humanitarian supplies and 44 applications for oil spare parts and equipment. The quarterly observation plan has also been revised to provide greater detail on planned tasks.

38. Although United Nations observation activities have proceeded smoothly during the reporting period, by and large, difficulties continue to be experienced in obtaining escorts from the relevant ministries, which has curtailed observation in the agriculture, water and sanitation and education sectors. The system of issuing vehicle and driver-specific travel permits by the Government of Iraq, for predetermined travel routes only, has been an additional hindrance for observation activities. The Geographical Observation Unit also reported difficulties in collecting statistical information at governorate level. (See annex III for the number of observation visits per sector.)

IV. Programme implementation: effectiveness, equitability and adequacy

39. In the reporting period, positive developments included the first distribution of targeted nutrition inputs. Improvements were also seen with regard to the provision of cold chain vehicles and equipment in the health sector; a threatened outbreak of polio was successfully contained. Recent arrivals of warehouse equipment and vehicles will improve logistics in the health and education sectors. Holds were lifted from urgently needed water purification chemicals. Nevertheless, in general, implementation in all sectors of the programme under the ESB (53 per cent) account has been adversely affected by the slow rate of contracting by the Government of Iraq under phase VII, the large number of contracts placed on hold by the Security Council Committee, particularly in food handling, water and sanitation, electricity, transport and telecommunications, as well as by the inadequacies of the distribution networks.

A. Implementation of the programme in the centre and south of Iraq

Food

40. Wheat stocks remain low, despite slight improvements since February 2000. The available stocks of pulses will not be adequate to provide coverage for a month. This situation is caused by late contracting and slow arrival of commodities. The Office of the Iraq Programme and the World Food Programme (WFP), in consultation with the Government of Iraq, are reviewing the food distribution network and will recommend measures to improve its effectiveness.

41. Although the target under the phase VII distribution plan was to provide a food basket of 2,330 kilocalories and 52 grams of protein per person per day, the food basket distributed during the reporting period averaged 1,991 kilocalories and 42.6 grams of protein per person per day for reasons outlined in paragraph 40 above. This covered 85 per cent of energy and 81 per cent of protein requirements envisaged. As at 30 April 2000, of the 37 monthly distribution cycles since the start of the programme, the targeted food basket requirements were met in only six. In view of the low stocks of wheat, the Government provided 43 per cent of the flour ration from its stocks obtained outside the programme. Observations made by the Geographical Observation Unit have confirmed equitable distribution of the food basket to registered beneficiaries. The Government of Iraq has recently requested greater quantities of wheat, rice and sugar, with the intention of increasing the amounts distributed in the food basket.

42. In the food-handling sub-sector, two contracts for the facilities at Umm Qasr port were approved: one for a cutter-suction dredger, and another for two 40-ton forklifts. However, the urgently needed fire-fighting vehicles, fixed generators for the electricity supply, and marine generators for tugboats and dredgers have remained on hold. Between 15 April and 19 May 2000, 29 food-handling applications worth $164.1 million were released from hold. However, in the same period, 16 applications worth $170 million were placed on hold.

43. The 749 trucks delivered since the inception of the programme have replaced only part of the existing, ageing fleet of some 7,000 trucks. Under phases VI and

VII, 32 contracts worth $45.3 million have been approved, and four contracts worth $12.9 million remain on hold. Rehabilitation of the railway system continues to be hampered by the large number of contracts on hold valued at $77 million. Twelve contracts worth $2.4 million remain on hold for Ministry of Trade food laboratories, which are needed to ensure adequate quality testing. Many mills and silos are in a serious state of deterioration; it is estimated that 70 per cent of such facilities will need to be replaced in the near future. With regard to the impact of spare parts imported under the programme on the operations of mills and silos, Geographical Observation Unit analysis indicates that on average some 15 per cent of the requirements of silos and some 30 per cent of the requirements of mills have been met.

Health and nutrition

44. The number of contracts on hold has increased and, as at 30 April 2000, 109 applications valued at $168.6 million were on hold. These holds have had a negative impact on health-care service delivery, particularly for local drug production by Samara Drug Industries (SDI). As at 14 May 2000, over $28.3 million worth of applications for SDI were on hold. These contracts remain on hold in the absence of information from the Government of Iraq to the Security Council Committee.

45. The stock balance of medical supplies provided under the programme at the central warehouses, as at 30 April 2000, was $251.7 million, of which 14.7 per cent constituted buffer stock. Between November 1999 and April 2000, buffer stock had decreased from 16.8 to 14.7 per cent, while the percentage of items undergoing quality control increased from 3.9 to 9.2 per cent, because of arrivals in March and April 2000.

46. The World Health Organization reported that some distribution bottlenecks have been resolved. The arrival of 62 cold chain trucks and 35 prefabricated cold stores should improve both the storage capacity at central and governorate warehouses, and the distribution of supplies. The recent arrival of forklifts has slightly eased handling constraints at warehouses. However, telecommunication difficulties continued between central and governorate warehouses, and between warehouses and health facilities. Furthermore, low-capacity computers at central warehouses are insufficient to handle the volume of data, which also hampers observation. Contracts for central warehouse computers remain on hold, awaiting the provision by the Government of Iraq of additional information requested by the Committee.

47. Hospital in-patients have continued to receive the full course of treatment where drugs have been available in adequate quantities. However, patients in public clinics, health insurance clinics and health centres have continued to receive, in general, only partial courses of treatment because of insufficient quantities contracted, late arrivals, lengthy quality assurance procedures for certain categories of drugs, and continuing distribution problems. WHO warns that resistant bacterial strains could emerge as a consequence of the continuous dispensing of only partial treatment of anti-bacterial drugs to patients.

48. Drugs for the treatment of chronic illnesses valued at $6 million have been approved but not yet received, and a further $500,000 of supplies have failed quality testing. The quantities of these drugs ordered by the Ministry of Health are below the monthly caseload requirements and were not met by local production. Since the beginning of the programme, $26.6 million worth of anti-cancer drugs had arrived in the country as at 30 April 2000, of which a quantity worth $13.3 million (50 per cent) had been distributed. WHO attributes this low distribution rate to the recent arrival of a large volume of supplies and the long periods required for quality testing (21.2 per cent were undergoing quality testing). Radioactive pharmaceuticals valued at $1.1 million have also been distributed to cancer treatment centres.

49. During the review period, there were six confirmed polio cases, five in December 1999 indicating a potential epidemic. Subsequent evidence suggests that the polio outbreak is ending because of national immunization campaigns in October and November 1999, and in March and April 2000.

50. The distribution and use of ambulances under the programme has greatly restored the ambulance emergency services countrywide. Nearly all major hospitals and 24-hour emergency centres now have at least one functioning ambulance.

51. In the targeted nutrition sub-sector, as at 30 April 2000, high protein biscuits valued at $5.3 million, contracted under phase IV, had arrived, of which $3.1 million had been distributed to sub-warehouses for distribution to the 961 existing primary health-care facilities and community child-care units. The first

shipment of 1,500 tons of therapeutic milk under phase IV arrived only in April. The Government of Iraq had submitted seven contracts worth $27.9 million under phases IV to VI for high protein biscuits and therapeutic milk.

52. The United Nations Children's Fund (UNICEF) reported that the expansion of the network of community-based health facilities participating in the programme has progressed well. As at 30 April 2000, there were 2,182 community child-care units, 820 primary health-care facilities, and 67 nutrition rehabilitation centres. However, the delayed arrival of therapeutic milk supplies has adversely affected the implementation strategy. Infrastructure and logistic constraints have also affected the implementation of the targeted nutrition programme, reducing its effectiveness.

53. A recent UNICEF nutrition status survey of children under 2 years of age showed little if any change in malnutrition rates, in comparison with the results of similar surveys carried out in 1997 and 1998. There was a slight reduction in the prevalence of underweight, while stunting and wasting had stabilized at still unacceptably high rates of 13.8 per cent and 9.2 per cent, respectively.

Water and sanitation

54. Of the $702 million worth of contracts submitted to the Security Council Committee for the water and sanitation sector as at 30 April 2000, $447 million (63.8 per cent) had been approved, and $168 million (23.4 per cent) remained on hold. Urgently needed repair and maintenance works of water and sanitation facilities have been delayed because of contracts placed on hold.

55. The undistributed stocks at the central and governorate warehouses were valued at $38.6 million. Of the total, 4.7 per cent was buffer stock. Distribution was hampered largely by logistic problems. Under phases I to VII, contracts for vehicles and spare parts worth $52.3 million were submitted of which $30.4 million were approved and $7.4 million remain on hold.

56. The Baghdad Water and Sewerage Authority received 2,462 tons of chlorine since the beginning of the programme, of which 2,218 tons (90 per cent) had been utilized. Similarly, the General Establishment for Water and Sewerage received 5,250 tons of chlorine, of which 3,815 tons (72.6 per cent) had been utilized. The daily chlorine utilization rates for the Authority and the General Establishment are six and nine tons, respectively. As at 30 April 2000, the available chlorine stock at Authority and General Establishment warehouses was adequate for 40 days and approximately five months, respectively.

57. A comparison of the average percentage of failed samples for bacteriological analysis between 1999 and the first four months of this year indicates a slight reduction in all but 4 of the 15 central and southern governorates. Chlorine test levels also revealed a slight improvement in all the central and southern governorates, except Baghdad. As a direct result of the drought, the reduction of water levels in surface water bodies, which constitute 95 per cent of drinking water resources in the centre and south of Iraq, is having a crippling effect on water treatment plants. An assessment conducted by UNICEF on the utilization of supplies for water treatment plants in four governorates indicated that, while the efficiency of the plants had increased marginally (4 and 8 per cent), the improvement was negated by lengthy power cuts and that this improvement was not tangible at the end-user level, because of the deterioration of the water distribution network.

Agriculture

58. As at 30 April 2000, irrigation supplies constituted 16 per cent of contracts concluded for this sub-sector. As a direct consequence of 23 contracts on hold, valued at $99 million, 453,523 hectares of land previously irrigated has not been irrigated, the capacity of the canals has been reduced to 13,410,000 cubic metres for both irrigation and drainage water, the capacity of the on-farm irrigation water application systems has been reduced by 57,519,560 m^3 of pumped water, and the 70 deep wells, which would have the potential to supply 43,278,400 m^3 of water needed for both human and livestock consumption, have not been drilled. Programme inputs have permitted the installation of 208 new pumping units, the lining of earth canals, the partial maintenance of structures at irrigation projects and water storage dams, and the drilling of 88 new tube wells.

59. The distribution rate in the poultry sub-sector was 87 per cent. As at 30 April 2000, supplies totalling $51.7 million had arrived and $45 million had been distributed. Poultry production under the programme,

partly supported by Government inputs, yielded 175 million table eggs and 32,500 tons of frozen chicken meat. Contracts valued at $9 million were on hold for this sub-sector, adversely affecting production.

60. In the veterinary sub-sector, the cumulative value of delivered supplies amounted to $27.5 million as at 30 April 2000, of which supplies worth $19.1 million (69.4 per cent) had been distributed to end-users. The increased rate of distribution has helped to improve the availability of veterinary drugs and vaccines to end-users.

61. The drought continues to have devastating effects for both livestock and crop production. Only an estimated 150 millimetres of rainfall was recorded in the centre and south of Iraq during 1999-2000, reducing crop production in the rain-fed and irrigated areas. According to FAO, during the coming summer season only the cultivation of vegetables will remain unrestricted, while areas normally used for rice and corn cultivation will remain fallow. According to official reports, as a result of the drought vegetable production has decreased by 50 per cent and fruit production by 20 per cent, compared to 1998 levels.

62. In the agricultural machinery sub-sector, $144.6 million worth of items had arrived since the beginning of the programme, of which $91.9 million (63.6 per cent) had been distributed. Some 33 per cent of items in stock constituted spare parts. This high percentage is largely due to the fact that agro-machinery inputs are imported with their spare parts, which may not be needed immediately and are distributed on an on-demand basis only. However, in order to improve spare parts distribution, the Government has introduced a new system using private agents. Agro-machinery contracts valued at $44.4 million are on hold, including $3 million for harvesters and spare parts for combines, which are critical for the wheat and barley harvest.

63. Plant production supplies worth $17.6 million had been received as at 30 April 2000, of which $7.8 million (44.3 per cent) had been distributed. Supplies in stock for plant production remained at 38.6 per cent of total arrivals, and 56 per cent of plant production arrivals because of the low distribution rate of agro-chemicals, seeds and fertilizers following the severe drought during two consecutive years. There is an immediate requirement for fungicides to control the spread of fungal infections, particularly in potatoes and citrus trees.

Electricity

64. The precarious state of the electricity sector, combined with the effects of the drought, is undermining efforts in all the other sectors of the humanitarian programme. The power generation capacity has further declined and the current power availability is about 50 per cent of the demand, affecting all types of consumers and services. An average of 12-hour daily power cuts have continued to be applied in 14 central and southern governorates, while in Baghdad governorate the current average daily power cut is four hours per day.

65. Electricity contracts valued at $494.7 million were on hold as at 30 April 2000. As a result, together with the long lead time required for the manufacturing of equipment, the implementation of some vital projects has been considerably delayed. The completion of rehabilitation work at the Nassiriya power plant is being hampered by the hold on two contracts, and may cause the loss of up to 840 megawatts urgently required for the coming summer. Holds are delaying work on new generating units, which would add 426 MW of generating capacity. Safety and communication equipment will improve the safety of personnel in the sector and enhance programme implementation. The ongoing drought has resulted in an 81 per cent reduction in hydroelectric power generation.

66. At Mussaib power plant, the installation and commissioning of a 400-MVA transformer for one of the units was completed successfully and the turbine was repaired. The performance of all units could be improved with the release from hold of contracts covering turbine-associated equipment. At Dura power plant, the first consignment of supplies for the rehabilitation of three generating units arrived at the end of January 2000. Upon the completion of rehabilitation works by August 2000, the output is expected to be 75 MW. Three hundred field service vehicles were delivered to the distribution and transmission offices. The arrival of cable boxes made possible the connection of the 400-kV line at Qadissiya hydroelectric power station and the 132-kV line in Mosul to the national grid. In Basrah, a new 40-kilometre 11-kV feeder was installed from Shuaiba sub-station to Al Shemal residential area, to serve more than 300 households.

Education

67. The total number of applications placed on hold in the education sector as at 30 April 2000 was 91, with a total value of $74 million.

68. The priority need for the Ministry of Higher Education remains the procurement of computers and specialized equipment, including various types of laboratory sets. However, most applications submitted to the Security Council Committee for these items remain on hold.

69. Of the sole consignment of computers received for the Ministry of Education, an average of 45 computers and one printer were allocated per governorate, allowing on average only four computers and one uninterrupted power supply per selected secondary school. The United Nations Educational, Scientific and Cultural Organization (UNESCO) reported that computers were being set up in schools or facilities rehabilitated for their installation and that curriculum development was under way. Also, as a pilot project, one secondary school was being used as a training centre for teachers using 10 of the computers received. Moreover, a commercial course and a general computer class for girls were being developed for the next academic year, following teacher training.

70. Shortages of transportation from the central vocational, teaching aids and printing press warehouses have persisted. The Ministry of Education recently received 40 trucks, which should cover 30 per cent of their transportation needs. Pick-up vehicles and trucks ordered under phases IV to VI, once received, are expected to meet all the transportation needs of the Ministry. Some $16 million worth of vehicles and spare parts have been approved for the Ministry of Higher Education.

71. The rehabilitation of the Ministry of Education printing presses continues to be hindered by the absence of cash to provide labour for the installation of the spare parts and operations equipment and material received. UNICEF observation of the impact of supplies provided under the programme indicated that the distributed supplies remained mostly inadequate to meet even the minimum requirements of schools. The physical infrastructure of most schools visited remains either average or below average. A comparative assessment of urban and rural schools by UNESCO indicated that all schools visited in urban areas received a minimum of commodities, while those in rural areas received even less, the latter largely because of transportation difficulties.

Telecommunications

72. In the telecommunications sector, in phases V to VII, applications worth some $5.4 million for vehicles and material handling were approved and nearly $5 million worth had been placed on hold. However, implementation of telecommunications projects has not been possible because holds have been placed on the overwhelming majority of applications for telecommunications equipment for the Iraqi Telecommunications and Postal Company, valued in excess of $122 million as at 30 April 2000. The Office of the Iraq Programme has initiated a review of all applications on hold with the concerned parties in order to ensure that the information requirements of the Security Council Committee are met and that the holds are reconsidered. Arrangements have been finalized for the International Telecommunication Union (ITU) to field the necessary staff to Iraq early in June 2000.

B. Programme implementation in Dahuk, Erbil and Sulaymaniyah

73. A number of activities have been undertaken by the United Nations Office of the Humanitarian Coordinator for Iraq and the United Nations agencies and programmes to improve programme management at the multi-sectoral level in the three northern governorates of Dahuk, Erbil and Sulaymaniyah. These include further application of a project-based approach to the preparation of distribution plans, enhanced coordination of activities related to the settlement rehabilitation sector and to the rehabilitation of electricity generation, transmission and distribution, as well as preparations to enhance the programme coordination and management capacity of that Office. Given the sharp increase in revenue available for the programme in the three northern governorates, various options for expanding inter-agency implementation capacity will be explored as a matter of priority. In collaboration with the Office of the Humanitarian Coordinator, a contingency plan has been formulated by FAO, the United Nations Development Programme (UNDP), UNICEF and WHO to address the effects of the ongoing drought.

Food

74. Although the flow of food commodities from the central warehouses to the northern governorates has proceeded smoothly, the distribution efficiency and adequacy of the food basket for the end-users has been affected by the shortage of some commodities, and the objections sometimes raised by the local authorities with regard to the quality of certain items. The shortfalls of food basket commodities in December 1999 and January and February 2000 amounted to 0.89 per cent, 0.88 per cent and 0.62 per cent, respectively, of the total requirements. However, the Government-announced food basket was distributed in full and on time during March and April 2000. On average, 56.3 per cent of food agents, 99.6 per cent of flour agents and 50.9 per cent of households received the food basket in full, as announced, and on time.

Health and nutrition

75. The World Health Organization completed the rehabilitation of nine health facilities, while an additional 23 facilities were undergoing rehabilitation. WHO has also devised contingency plans to address the effects of possible outbreaks of communicable diseases that may result from the drought. Medicines and supplies, including intravenous fluids and anti-infectious drugs, have been pre-positioned against such an eventuality. WHO has continued its capacity-building activities of local health sector professionals, including in the areas of primary health care, drug supply management, the proper installation and use of equipment, and nursing education. WHO has finalized the modus operandi for the distribution of selected medical items by private pharmacies, but implementation has not yet started.

76. In March and April 2000, two rounds of national polio immunization days were conducted by UNICEF, during which more than half a million children under 5 years of age were immunized, providing 90 per cent coverage. UNICEF also renovated nine health centres — out of a total of 44 since the start of the programme — trained health personnel on immunization, and supported a training course for doctors, social workers, and technicians on child and adolescence psychosocial treatment, and education for traumatized children. Wheelchairs were delivered to the Helena Centre for Disabled Children, and disabled persons received ortho-prosthetic and physiotherapy services.

77. The caseload of the WFP nutrition programme during the reporting period was, on average, 170,650 beneficiaries per month. WFP launched a two-month school feeding pilot project to improve nutritional status, help increase school attendance, and reduce student dropout rates. UNICEF distributed therapeutic milk and high protein biscuits to 34,956 malnourished children under 5 years of age, vitamin A capsules to children under 5 and lactating mothers, various types of micronutrients to vulnerable pregnant women and lactating mothers, multi-vitamins to children under 5, and potassium iodide to salt iodination plants. The results of the November 1999 survey indicated a decline in the levels of chronic and severe malnutrition, and underweight, by 0.6, 1.6 and 5.2 per cent, respectively, compared to the results of the survey conducted in June 1999.

78. During the period under review, 35 community child-care units and 14 growth monitoring centres were established in remote villages. As part of its capacity-building activities, UNICEF provided training to primary health care staff in the use of growth monitoring equipment, breast-feeding promotion and prevention of micronutrient deficiency diseases. Village volunteers were trained in growth monitoring, health and nutrition education.

Water and sanitation

79. Since the beginning of the programme, 447 of the 500 pumps planned for installation in phases I to V had been installed, 546 tons of chlorine gas/powder and 1,490 tons of aluminium sulphate were distributed, 423 chlorinators were installed, 281 kilometres of the water distribution network had been repaired, construction and renovation of 285 pump and chlorinator houses and spare parts storage had been completed and 21 elevated water storage tanks were repaired or constructed. The distribution of 152 sanitation vehicles and the repair of a further 80 enhanced the solid and liquid waste handling capacity of the municipalities. Pump operators, technicians and engineers were trained in the operation and maintenance of installed pumps.

80. In the rural water and sanitation sector, construction and rehabilitation of rural water projects, benefiting an estimated 300,000 people, were completed. Household latrines benefiting over 70,000 people were constructed. Capacity-building activities included the training of village operators and community leaders, as well as the local authorities. As

part of the United Nations drought contingency planning, UNICEF intends to undertake a survey of the water supply situation in the most vulnerable areas, organize mobile maintenance teams for the repair of non-functioning pumps, identify villages that might need to be provided with water through tankers and undertake public awareness campaigns on water conservation and use.

81. WHO continued to support water quality control activities. Analysis of samples collected in Dahuk and Sulaymaniyah governorates showed contamination levels within accepted standards, while in Erbil, the level remained above WHO limits, although it has declined during the current phase.

Agriculture

82. The drought conditions in some areas have continued during the 1999/2000 agricultural year. The first rains did not come until December 1999, followed by erratic rainfall in March and April 2000 — a critical period for the growth of winter wheat and barley. With the addition of an increased incidence of pest and weed infestation, crop yields are expected to be very low in the secure and semi-secure rainfall areas with no yield in the low rainfall zones. Surveys are under way to update assessments on crop yield status, the level of pest incidence, pasture availability, and surface and groundwater situations. About $57.5 million will be required to mitigate the effects of the drought through the provision of drinking water to animals, irrigation for orchards and planted forest, animal and poultry feed concentrates, vaccines, drugs, barley seeds and fertilizers. FAO has taken action with the Office of the Iraq Programme to ensure urgent processing of drought-related applications including the provision of fodder, which accounts for most of the required contingency funding.

83. According to FAO, outbreaks of *peste des petits ruminants* and foot-and-mouth disease were reported in Erbil governorate. Artificial insemination activities have yielded a total of 341 newborn calves. The Sulaymaniyah fish hatchery started larvae production; the fishery project in Dahuk is already operational, and in Erbil it is under construction. As at 30 April 2000, 457 broiler poultry farms had been renovated since the start of the programme, with a production capacity of 6.5 million broiler chickens per eight-week cycle. As part of the backyard poultry support programme, 2.7 million chickens were vaccinated in 374 villages, benefiting 95,090 vulnerable families.

84. Some 686 surface irrigation pumps, 120,000 metres of pipes and 277 deep well pumps had been distributed, facilitating the irrigation of 6,200 hectares of land belonging to 2,163 farmers, and 22 small-scale irrigation projects were completed. Training courses for local personnel were conducted on design, maintenance and operation of irrigation projects, well-drilling methodology and groundwater hydrology. Winter weed, pest and disease control campaigns covered a total of 212,000 ha of wheat and barley fields, and orchards. Seedlings were planted on 2,250 ha of land and six tons of forest seeds were directly sown on dam catchment areas and erosion-prone sites.

85. Significant progress had been made in the reactivation of agro-industrial plants, with both the Harir tomato paste processing plant and the dairy and edible oil processing plant reaching production stage. FAO conducted 43 training courses for the local agricultural cadre, covering topics such as control of pests, preventive maintenance of agricultural machinery and equipment, bee-keeping techniques, agro-meteorology, poultry husbandry and citrus cultivation.

Electricity

86. The power supply situation remains critical. The drought has severely affected the water levels in the reservoirs of the Derbandikhan and Dokan hydroelectric power stations, resulting in very low levels of generation. With this year's very reduced inflows to the Derbandikhan and Dokan dams, the current hydro-generation output of one hour per day in Sulaymaniyah and zero hours in Erbil may represent the average daily output for the rest of the year. The two power stations are currently generating approximately 50 megawatts each for 12 hours per day, while the demand for Erbil and Sulaymaniyah is 285 and 265 MW, respectively. Dahuk, which is connected to the national grid, is only receiving 20 MW, against a demand of 132 MW, representing one hour per day for consumers.

87. Design works on the first stage of three 29-MW diesel power plants were completed and the civil works have started. Within the context of the drought contingency plan, a project for 600 diesel generators for low-income domestic consumers has been

approved. Pre-bid site visits by the representatives of companies for the transmission lines project were postponed because the Government of Iraq did not grant visas. A large number of distribution transformers were installed to provide electricity supply to new consumers as well as to improve the reliability of supply to existing ones. In Sulaymaniyah, civil work on 10 sub-stations was nearing completion. The installation of electrical plant and equipment is scheduled to commence shortly. Rehabilitation works on the Derbandikhan and Dokan dams and hydroelectric power stations were progressing well.

Education

88. UNICEF has completed the rehabilitation of 324 schools and local education authority buildings since the start of the programme, repaired and maintained the water and sanitation facilities of 18 primary schools, and supported the training of primary school science, Kurdish alphabet, and pre-school teachers. Student kits were supplied to meet the stationery needs of 6,930 pupils in primary schools and students in the literacy programme. Primary school textbooks were printed and distributed; and primary school teaching aid manuals were also distributed. Local education authorities were supported with locally produced desks, computer disks, generators, water pumps, vehicles and motorbicycles; furniture and equipment were provided to kindergartens and primary schools. UNICEF also assisted in the transportation of Iraqi primary and intermediate school textbooks, which were subsequently distributed.

89. Activities undertaken by UNESCO included the production and distribution of school desks; the procurement and delivery of floor matting; training courses and workshops aimed at local capacity-building; distribution of school literature, supplementary reading materials, and reference books and materials in Arabic, Kurdish and Persian; as well as receipt of 2 million textbooks from the Ministry of Education in Baghdad. UNESCO reported that the provision of supplies has had a positive impact on student enrolment and attendance, with enrolment increasing by 25 per cent at both secondary and higher education levels compared to 1998/1999. Of the 153 schools targeted by UNESCO for construction or rehabilitation under phases I to III, 150 had been completed. The production line of the chalk factory initiated under phase I is now installed and is producing sample batches, but quality control issues remain to be addressed.

Rehabilitation of settlements

90. As at 30 April 2000, the United Nations Centre for Human Settlements (Habitat) had launched a total of 1,229 projects in some 740 villages and settlements. Of these, 634 had been completed, another 356 were under construction, while an additional 239 projects were in the planning and tendering stages. Completed projects included 72 housing projects, 233 schools, 66 health facilities, and 132 water and sanitation works. During the period under review, Habitat operated in 343 villages, neighbourhoods and settlements. Some 17,600 beneficiaries were provided with 2,700 housing units and an estimated 16,300 students benefited from the construction of 74 schools. Furthermore, some 12 health facilities, 16 road and bridge works, as well as 63 water and sanitation works were completed. Habitat is monitoring a pilot self-help housing project in Erbil governorate and it will evaluate how this method can be improved and expanded.

91. Despite these activities, large numbers of internally displaced persons remain in provisional tent communities where Habitat provides on-site access to basic services until a settlement solution is found. The flow of returnees has continued and a growing number of displaced persons have been arriving from the Kirkuk area.

Mine clearance

92. Mine-clearance teams at all levels of operation have been strengthened. Manual teams have been increased from 13 to 15. Level-two survey teams have been increased from 6 to 8, and they have been further strengthened with an increase from 8 to 11 members per team. Two new explosive ordnance teams have been fielded, 12 level-one survey teams have been deployed to conduct a survey of areas of existing and proposed electrical transmission lines, and the number of dog teams increased. The United Nations Office for Project Services has also completed a study on the long-term sustainability of the programme through the development of local non-governmental organizations. That Office remains concerned about the incidences of freshly laid mines being found in previously cleared mine fields.

93. The United Nations Office for Project Services handed over six cleared minefields, comprising 606,370 square metres, to the local authorities, directly benefiting 236 villages with a total population of 66,895. Since the beginning of the programme, the Office has cleared 21 minefields, covering 2,772,239 m^2. In addition, 1,907 mine victims have been provided with prostheses, 396 with orthoses, 818 with wheelchairs and walking aids, and 1,641 have undergone surgery.

94. In Sulaymaniyah governorate, the United Nations Office for Project Services is currently conducting a mine clearance operation on a water project where a 60-km-long canal is partly laid with mines. It is also surveying a construction area earmarked for 200 houses for internally displaced persons where mines were discovered, as well as supporting joint United Nations Office of the Humanitarian Coordinator for Iraq/Habitat efforts to settle and reintegrate 10 villages. As part of its assistance, the United Nations Office for Project Services is identifying the levels of mine contamination in those villages, planning public mine awareness campaigns, determining clearance requirements, and preparing emergency procedures for mine victims. In support of the electricity sector activities, that Office is also surveying for mines around one of the electricity sub-stations.

Telecommunications

95. The International Telecommunication Union, responsible for the implementation of telecommunications projects, has commenced its start-up operations with the recruitment of key staff. A memorandum of understanding has been signed with the United Nations and a draft schedule for project implementation has been prepared. Survey work will commence in July 2000 with a view to submitting contract applications by the end of the year.

V. Observations and recommendations

96. The nature of the humanitarian programme authorized by the Security Council in resolution 986 (1995) has evolved significantly over the past three and a half years. The mechanism was initially instituted as an exception to the sanctions, allowing Iraq to generate a limited amount of funds through the sale of oil, for the importation of food and basic medicines. Today, Iraq is authorized to export unlimited amounts of oil and to import a wide range of goods to meet the humanitarian needs of its population and to rehabilitate its civilian infrastructure. At the start of the programme the authorized revenue ceiling was $2 billion per phase, providing $1.32 billion for the implementation of the programme. It is estimated that the revenues earned by oil exports during phase VII will reach $8.4 billion, which, after deductions pursuant to paragraph 8 of resolution 986 (1995) and other relevant resolutions of the Security Council, would make about $5.64 billion available for the implementation and operation of the programme.

97. The nutritional and health status of the Iraqi people continues to be a major concern. Now that increased revenues are available for the implementation of the programme, the Government of Iraq is in a position to reduce current malnutrition levels and to improve the health status of the Iraqi people. This can be achieved by increasing the funding level in the food and health sectors and ensuring the timely contracting of all supplies in quantities sufficient to meet the requirements and targets recommended previously, in particular those contained in my supplementary report to the Security Council (S/1998/90). I therefore welcome the recent steps taken by the Government of Iraq in requesting increased food basket items, as indicated earlier in this report. It is also necessary to improve distribution systems in the food, nutrition and health sectors. To assist Iraq in improving its distribution systems, it is essential that applications for contracts relating to distribution systems be approved by the Security Council Committee most expeditiously.

98. Until such time as Iraq's infrastructure for electricity and water and sanitation has been sufficiently rehabilitated, the Iraqi people will continue to be vulnerable to disease and hardship. Clean water and a reliable electricity supply are of paramount importance to the welfare of the Iraqi people. If these basic services are to be provided, the contracts aimed at the rehabilitation of the infrastructure in these sectors must be approved without delay.

99. With regard to the education sector, it is clear that greater effort is needed to reverse the current level of deterioration, with all its attendant consequences for Iraq's future educational attainment. I therefore recommend to the Government of Iraq to increase the

level of resources allocated, and to undertake commensurate improvements in the planning and distribution of inputs supplied under the programme.

100. I welcome the ongoing efforts by the Security Council Committee to improve its procedures and define more specifically its information requirements, which has already allowed for a significant number of contracts previously on hold to be approved. It may be recalled that the total value of holds as at 31 January 2000 was approximately $1.5 billion. As at 30 April, the total amount had reached just under $2 billion. I am encouraged by the recent positive trend in the concerted efforts made by all concerned to reduce the total value of holds placed on applications, as at 31 May 2000, to $1.6 billion. Much more needs to be done, however, to bring about a drastic reduction in the number of holds placed on applications, which have been seriously impairing the effective implementation of the programme. I therefore appeal to the members of the Security Council Committee to further intensify their efforts to review the applications placed on hold in the light of additional information being provided by the Office of the Iraq Programme. I also appeal to the Government of Iraq as well as the permanent and observer missions to provide expeditiously all additional information requested by members of the Committee.

101. Ongoing efforts to adapt the structure, and to strengthen and focus the observation mechanism, will enable the Office of the Iraq Programme to meet better the growing information needs of the Committee. It is hoped that this will contribute to a reduction in the number of applications placed on hold.

102. The positive action taken by the Security Council Committee approving the measures proposed by the Office of the Iraq Programme, pursuant to paragraph 17 of resolution 1284 (1999), has already expedited the processing, as at 31 May 2000, of 356 applications, with a total value of $820 million, which no longer require submission to the Security Council Committee for its approval.

103. I also welcome the approval by the Security Council Committee of the procedures for the implementation of paragraph 18 of resolution 1284 (1999), and its endorsement of the experts to serve on the group to approve applications for contracts for oil spare parts and equipment (see para. 19 above). I wish to appeal to the Committee to approve most expeditiously the lists of oil spare parts and equipment to be submitted by the Office of the Iraq Programme to the Committee for approval in the first week of June, in order to allow the group of experts to start its work as early as possible. In view of the fact that it is against these lists that applications for oil spare parts and equipment will be reviewed by the group of experts, the Security Council may wish to request the Secretariat, in consultation with the Government of Iraq, to submit to the Security Council Committee a list of oil spare parts and equipment for the next phase, in accordance with paragraphs 18 and 25 of resolution 1284 (1999) and in conformity with the procedures for the implementation of paragraph 18 of that resolution. I should like to appeal to the Security Council Committee to further review all applications for oil spare parts and equipment that are currently on hold, in the light of the new procedures pursuant to paragraph 18 of resolution 1284 (1999). The number of applications on hold remains excessive and as at 31 May 2000 had reached 582, with a total value of $341 million. Thus far oil spare parts and equipment valued at $287.2 million have arrived, with an additional $546 million worth of supplies in the pipeline.

104. I also welcome the decision by the Security Council, in its resolution 1293 (2000), to approve the allocation of an additional $300 million for the purchase of oil spare parts and equipment for phases VI and VII of the programme. This will assist in addressing the state of deterioration that characterizes the oil industry in Iraq. However, as noted in my previous report to the Council (S/2000/208), this allocation may succeed only in sustaining production and export capacity at current levels and may not be sufficient to enable Iraq to increase export and production or to offset permanent damage to oil-bearing structures and general deterioration, which has been well documented in the comprehensive survey of the Iraqi oil industry by the group of experts, established pursuant to paragraph 30 of resolution 1284 (1999). I recommend, therefore, that the Council consider a further addition of $300 million to the allocation for oil spare parts and equipment for phase VIII of the humanitarian programme, bringing the total allocation for that phase to $600 million.

105. The Government of Iraq has studied the findings of the joint technical review of housing requirements conducted by United Nations experts and the relevant technical ministries and has recently indicated its

general agreement. I therefore intend to endorse the housing requirements identified in the review for phases VI and VII, provided that appropriate arrangements have been made for United Nations observation. At present, discussions with the Government of Iraq are under way.

106. I should like to give assurances to the Security Council that every effort is being made, as requested in paragraph 22 of resolution 1284 (1999), to minimize the cost of the United Nations activities associated with the implementation of resolution 986 (1995). The Executive Director of the Iraq Programme is currently reviewing the matter with the Controller in order to further minimize the cost of the United Nations operations in the implementation of the programme.

107. I wish to draw the attention of the Council to paragraph 20 of its resolution 1284 (1999) and to my recommendation contained in paragraph 6 of my report of 14 January 2000 (S/2000/22) — which was reiterated in paragraph 209 of my last report (S/2000/208) — regarding the intention of the Secretariat, subject to approval by the Council, to reallocate to the ESB (53 per cent) account funds that have accumulated as a result of the Council's decision to suspend the implementation of paragraph 8 (g) of resolution 986 (1995) for phase VII. This issue was subsequently discussed in the Council, although the Council has yet to come to a decision on the matter. I should like to reiterate my recommendation to the Council.

108. I wish also to draw the Council's attention to additional measures to achieve greater utilization of available resources, in particular with regard to funds in excess of requirements for payments of all contracts approved under earlier phases to fund humanitarian supplies under subsequent phases. This could address notably phases IV and V, for which there is still a revenue shortfall for humanitarian supplies of $589.1 million. I should like to recommend, therefore, that the Council consider authorizing the Committee to review and approve requests by the Office of the Iraq Programme for the use of funds in excess of requirements in earlier phases to fund humanitarian supplies under subsequent phases. For example, although phase I is closed, the total amount of funds still available under that phase is $5.1 million.

109. I welcome the readiness of members of the Security Council to consider arrangements to allow funds deposited in the escrow account established by resolution 986 (1995) to be used for the purchase of locally produced goods and to meet associated local costs for the installation and utilization of inputs which have been funded under the programme. This measure, if implemented efficiently and with transparency, has the potential to significantly improve the impact of this programme on Iraq's civilian population. I hope to be in a position soon to propose arrangements pursuant to paragraph 24 of resolution 1284 (1999) that will be acceptable to the Security Council Committee as well as to the Government of Iraq. However, based on the findings to date, it is clear that any proposal will require a measure of flexibility on the part of all concerned if it is to be implemented successfully.

110. Further to paragraph 208 (d) of my last report (S/2000/208), I should like to reiterate my recommendation that the Security Council Committee renew its efforts to reach consensus on the proposal submitted on 11 February 1999 by the Office of the Iraq Programme, pursuant to paragraph 53 (l) of my supplementary report (S/1998/90), for a new system to expedite the rate at which funds were reimbursed from the ESC (13 per cent) account to the ESB (53 per cent) account.

111. I also wish to draw the attention of the Security Council to paragraph 208 (e) of my report (S/2000/208) in which I recommended that the Security Council Committee review further the options laid out in the paper prepared by the Office of the Iraq Programme submitted to the Committee on 7 July 1999, concerning payment clauses for the ESB (53 per cent) account. This subject has not been taken up by the Committee in the reporting period, and I would like to draw attention to the importance attached to meeting the legitimate need to provide commercial protection for purchases made from the ESB (53 per cent) account, within the rules and regulations governing the implementation of the programme.

112. In my report (S/2000/208), I recommended to the Council that it consider forgoing the requirement for a 90-day report on the implementation of the programme, the need for which has abated in view of the weekly and monthly status and implementation reports and briefings provided throughout any given phase of the programme. Noting, *inter alia*, the improved observation and reporting mechanisms being put into place by the Secretariat, work on the establishment of a database which Committee members will be able to

access, and the continuous provision of information on the implementation of the programme, I should like to reiterate my recommendation that the Council reconsider the need for a 90-day report. This rationalization of reporting will enable staff in New York as well as in Iraq to better focus their efforts on programme implementation activities.

113. In thanking the Government of Iraq for its overall cooperation in the implementation of the programme, I should like to express my concern over recent restrictive practices relating to the allocation of travel permits and escorts, which are increasingly affecting the unrestricted freedom of movement of United Nations observers, provided for in paragraph 44 of the memorandum of understanding. I therefore request the Government of Iraq to review its administrative procedures relating to the freedom of movement of United Nations personnel, and the timely provision of visas, and to make the necessary adjustments, in accordance with paragraphs 44 and 46 of the memorandum of understanding.

114. Despite all constraints, difficulties and shortcomings referred to in the present report, as in previous reports, the programme has succeeded in providing substantial assistance to Iraq's pressing humanitarian needs in all sectors, through the large-scale importation of civilian goods. The total amount of funds made available for the implementation and operation of the programme from December 1996 to 30 April 2000 was $16.676 billion. As at 30 April, the total value of the supplies that had been delivered to Iraq was $8.071 billion — including over 14 million tons of food basket items valued at $4.8 billion and health supplies worth just under $900 million. Additional approved supplies with a total value of $2.7 billion were awaiting delivery, and additional supplies were being contracted for during the current phase, including some under the previous phases.

115. In any assessment of the programme, however, it should be borne in mind that it was never intended as a substitute for the resumption of normal economic activity, and cannot be expected to address the whole range of needs of the Iraqi population. Nonetheless, in keeping with the objectives of resolution 986 (1995) and subsequent resolutions, it remains essential to seek ways to maximize the efficiency of the programme, for the benefit of the civilian population. The implementation of the provisions of section C of resolution 1284 (1999) will undoubtedly enhance the impact of the programme in alleviating the humanitarian situation in Iraq.

Annex I

Status of the United Nations accounts pertaining to the Iraq programme

1. As at 30 April 2000, $4,606.1 million had been deposited into the account for phase VII as authorized under resolutions 1281 (1999) and 1284 (1999), bringing the total oil sale since the inception of the programme to $25,341.9 million.

2. The allocation of total oil proceeds received from inception to date and the corresponding expenditures are as follows:

(a) $12,990.2 million has been allocated for the purchase of humanitarian supplies by the Government of Iraq, as specified in paragraph 8 (a) of resolution 986 (1995). Also, $234.6 million of interest earned in this account was available for the purchase of humanitarian supplies in the central and southern governorates of Iraq. Letters of credit issued by BNP-Paribas on behalf of the United Nations for the payment of humanitarian supplies for Iraq amounted to $9,652.9 million under phases I to VII.

(b) $3,149.2 million has been allocated for the purchase of humanitarian goods to be distributed in the three northern governorates by the United Nations Inter-Agency Humanitarian Programme, as specified in paragraph 8 (b) of Security Council resolution 986 (1995) and as revised by paragraph 2 of Security Council resolution 1153 (1998). Expenditures recorded for humanitarian goods approved by the Security Council Committee amounted to $1,690.0 million.

(c) $7,533.4 million has been transferred directly into the United Nations Compensation Fund, as specified in paragraph 8 (c) of resolution 986 (1995). As at 30 April 2000, $175.2 million had been allotted to cover the operating expenditures of the Compensation Commission up to 31 December 2000, and an amount of $7,070.2 million for payment of various instalments of "A", "C", "D", "E" and "F" claims.

(d) $536.6 million has been allocated for the operational and administrative expenses of the United Nations associated with the implementation of resolution 986 (1995), as specified in paragraph 8 (d) of that resolution. Expenditures for administrative costs for all United Nations entities involved in implementing the resolution amounted to $263.2 million.

(e) $181.9 million has been allocated for operating expenses of the United Nation Special Commission for the disarmament of Iraq and its successor, the United Nations Monitoring, Verification and Inspection Commission, instated by Security Council resolution 1284 (1999), as specified in paragraph 8 (e) of resolution 986 (1995). Expenditures for the Commission amounted to $75.1 million.

(f) $831.1 million has been set aside for the transportation costs of petroleum and petroleum products originating in Iraq exported via the Kirkuk-Yumurtalik pipeline through Turkey, in accordance with paragraph 8 (f) of resolution 986 (1995) and in line with procedures adopted by the Security Council Committee. Of that amount, $639.9 million has been paid to the Government of Turkey.

(g) $119.5 million has been transferred directly to the escrow account established pursuant to resolutions 706 (1991) and 712 (1991) for the repayments envisaged under paragraph 6 of resolution 778 (1992), as specified in paragraph 8 (g) of resolution 986 (1995) and subsequently in paragraph 34 of my report (S/1996/978). The total of repayments made amounted to $119.5 million. Transfers to this account have been suspended in accordance with paragraph 20 of resolution 1284 (1999).

Annex II

A. Oil proceeds

Phase	Last deposit	Letters of credit	
		Number	Value (United States dollars)
I	27 June 1997	123	2 149 806 395.99
II	2 January 1998	130	2 124 569 788.26
III	30 June 1998	186	2 085 326 345.25
IV	28 December 1998	280	3 027 147 422.35
V	25 June 1999	333	3 947 022 565.12
VI	23 December 1999	352	7 401 894 881.57
VII (current)	As at 30 April 2000	280	4 606 128 270.65
Total		**1 684**	**25 341 895 669.19**

B. Humanitarian supply letters of credit for ESB (53 per cent) account and bulk procurement

Phase	Letters of credit opened		Bank payments made on delivery (United States dollars)
	Number	Value (United States dollars)	
I	870	1 229 078 786.69	1 208 007 934.97
II	538	1 197 759 389.19	1 175 500 359.05
III	669	1 209 273 197.37	1 168 263 305.66
IV (humanitarian supplies)	689	1 572 492 555.83	1 323 246 479.17
IV (oil spare parts)	455	252 539 426.37	176 642 074.04
V (humanitarian supplies)	954	1 638 432 246.95	1 166 410 683.15
V (oil spare parts)	377	181 498 872.21	59 660 301.66
VI (humanitarian supplies)	882	1 670 443 839.79	570 146 991.88
VI (oil spare parts)	296	161 060 392.15	2 997 631.43
VII (current humanitarian supplies)	83	540 291 420.52	-
VII (current oil spare parts)	0	-	-
Total	**5 813**	**9 652 870 127.07**	**6 850 875 761.01**

Annex III

Observation visits by the United Nations December 1999-April 2000

Sector	*United Nations agency unit*	*Centre/south*	*North*	*Total*
Food	WFP	62 672	12 113	74 785
	Geographical Observation Unit	3 984	288	4 272
Subtotal				79 057
Food-handling	Multidisciplinary Observation Unit	13	[a]	13
Subtotal				13
Health	WHO	1 650	684	2 334
	Geographical Observation Unit	972	72	1 044
	Multidisciplinary Observation Unit	49	0	49
	UNICEF	0	126	126
Subtotal				3 553
Nutrition	UNICEF	845	136	981
	Geographical Observation Unit	103	0	103
Subtotal				1 084
Water and sanitation	UNICEF	1 490	474	1 964
	Geographical Observation Unit	105	0	105
	Multidisciplinary Observation Unit	31	0	31
Subtotal				2 100
Agriculture	FAO	833	1 404	2 237
	Geographical Observation Unit	780	0	780
	Multidisciplinary Observation Unit	66	0	66
Subtotal				3 083
Electricity	UNDP/Department of Economic and Social Affairs	264	0	264
	Geographical Observation Unit	544	0	544
Subtotal				808
Education	UNESCO/UNICEF	278	123	401
	Geographical Observation Unit	586	75	661
Subtotal				1 062
Settlement rehabilitation	Geographical Observation Unit	[a]	488	488
Subtotal				488
Grand total of observation visits				**91 248**

[a] Not available.

Annex IV

Arrivals and distribution of commodities purchased under Security Council resolution 986 (1995) as at 30 April 2000

		Since the start of the programme			*During the reporting period*	
Sector	*Region*	*Arrivals (millions of United States dollars)*	*Distributed/installed (millions of United States dollars)*	*Percentage of arrivals*	*Arrivals (millions of United States dollars)*	*Distributed/installed (millions of United States dollars)*
Food (bulk purchase)	**Centre/south**		**4 193.1**	**87**	**685.4**	**481.6**
	North	**4 831.4[a]**	**677.7**	**14**	**116.9**	**105.7**
Food-handling	**Centre/south**	**232.2**	**221.2**	**95**	**63.1**	**62.8**
Health (bulk purchase)	**Centre/south**		**566.2**	**64**	**137.6**	**83.4**
	North	**889.0[a]**	**62.3[b]**	**7**	**12.8**	**8.2**
Health	**North**	**38.4**	**32.6**	**85**	**6.2**	**4.9**
Nutrition	**North**	**33.8**	**30.1**	**89**	**5.1**	**3.4**
Water and sanitation	**Centre/south**	**110.4**	**67.0**	**61**	**24.2**	**10.0**
	North	**62.0**	**60.0**	**97**	**6.2**	**9.1**
Agriculture	**Centre/south**	**340.1**	**240.5**	**71**	**113.5**	**77.5**
	North	**136.0**	**116.3**	**86**	**32.3**	**23.8**
Electricity	**Centre/south**	**328.4**	**324.2**	**99**	**139.6**	**136.9**
	North	**64.4**	**51.8**	**80**	**28.3**	**28.6**
Education	**Centre/south**	**61.4**	**42.0**	**68**	**14.0**	**8.6**
	North	**43.0**	**40.4**	**94**	**4.8**	**4.6**
Rehabilitation of settlements	**North**	**9.8**	**7.0**	**71**	**2.3**	**1.6**
Mine clearance	**North**	**3.4**	**3.4**	**100**	**0.75**	**0.75**

Note: Figures for the north reflect overseas procurement only and therefore do not include agency contracts entered into or funds disbursed.

[a] Figure reflects bulk purchase agreement for the entire country.

[b] Figure reflects amount distributed to the north from the bulk purchase agreement.